



0000146182

## BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

DOCKETED

JUN 27 2013

DOCKETED BY

hr

IN THE MATTER OF THE APPLICATION  
OF UNS GAS INC. FOR APPROVAL OF  
ANNUAL LOST FIXED COST RECOVERY  
MECHANISM ADJUSTMENT (DOCKET  
NO. G-04204A-11-0158)

DOCKET NO. G-04204A-11-0158

DECISION NO. 73936ORDER

Open Meeting  
June 11-12, 2013  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS Gas" or "Company") is certificated to provide electric service as public service corporations in the state of Arizona.

Introduction

2. On May 3, 2013, UNS Gas filed an application with the Arizona Corporation Commission ("Commission") requesting approval of its annual Lost Fixed Cost Recovery Mechanism ("LFCR") adjustment effective July 1, 2013. The LFCR allows for the recovery of lost fixed costs, as measured by revenue per therm, associated with the amount of energy efficiency ("EE") savings determined to have occurred from programs authorized by the Commission. The total Lost Fixed Cost Revenues for 2012 is \$9,765, which is approximately 0.01% of UNS Gas's total retail revenues. The amount of Lost Fixed Cost Revenues is very low as the mechanism only became effective in May 2012 and many EE programs had not been

1 implemented during the pendency for approval of the UNS Gas Energy Efficiency Implementation  
2 Plan. Based on the LFCR filing as submitted herein, UNS Gas estimates that the average monthly  
3 LFCR charge for an average residential customer would be \$0.01 or less. UNS Gas is requesting  
4 that the LFCR Revenues for 2012 be deferred and incorporated into the 2013 Compliance LFCR  
5 filing for recovery beginning July 1, 2014.

6 **Description of the LFCR**

7       3. In Decision No. 73142, the Commission approved the LFCR which provides for the  
8 recovery of lost fixed costs associated with EE savings. Costs to be recovered through the LFCR  
9 include the fixed cost portion of the delivery charges for all applicable rate classes. The LFCR  
10 includes an annual 1 percent year over year cap based on Applicable Company Revenues. If the  
11 annual LFCR Adjustment results in a surcharge and the annual incremental increase exceeds 1  
12 percent of Applicable Company Revenues, any amount in excess of the 1 percent cap will be  
13 deferred for collection until the first future adjustment period in which the inclusion of such costs  
14 would not cause the annual increase to exceed the 1 percent cap. The one-year Nominal Treasury  
15 Constant Maturities rate contained in the Federal Reserve Statistical Release H-15 or its successor  
16 publication will be applied annually to any deferred balance. The interest rate will be adjusted  
17 annually and will be the annual rate applicable to the first business day of the calendar year.

18       4. By May 1 of each year, UNS Gas will file its calculation of the annual LFCR  
19 adjustment, based on the EE savings from the preceding calendar year. The LFCR mechanism  
20 does not apply to lighting, irrigation, compressed natural gas and the larger customer classes taking  
21 service under C-22, I-30, I-32, PA-42, PA-44, IR-60, and T-2. These customers are not subject to  
22 the LFCR mechanism because other rate designs are in place to address lost fixed costs.  
23 Residential customers can opt out of the LFCR adjustment by choosing an optional monthly  
24 customer charge. The number of Opt-Out customers will be expressed as the annual average  
25 number of customers "Opting-Out" over the Current Period. The LFCR mechanism will not be  
26 applied to residential customers who choose the Opt-Out provision. The optional opt-out rate will  
27 be made available to customers at the time of the first LFCR adjustment.

28 ...

**Staff Analysis**

5. Staff has reviewed UNS Gas' projections used in the calculation of the LFCR adjustment. Staff finds that the LFCR Annual Adjustment Percentage is calculated in accordance with the Plan of Administration ("POA") for the Lost Fixed Cost Recovery Mechanism as approved by the Commission. This calculation is shown in Schedules 1 through 5 of the application. According to the calculations, the LFCR adjustment would be 0.01% applied to monthly bills, resulting in recovery of approximately \$9,765 for the 12-month collection period beginning in July 2013. The amount of Lost Fixed Cost Revenues is very low and may not even appear on many customer bills since the charge for an average residential customer would be less than \$0.01 per month. Staff has recommended that the LFCR revenues for 2012 be deferred and incorporated into the 2013 Compliance LFCR filing for recovery beginning July 1, 2014, upon Order of the Commission.

6. Staff has not conducted an audit and evaluation of the reported energy efficiency savings, as contemplated in the POA, because the numbers are small at this time. However, Staff intends to conduct the audit and evaluation next year.

7. It should not be inferred that the fact that Staff did not conduct an audit means that Staff agrees with the numbers in the Company's filing.

**CONCLUSIONS OF LAW**

1. UNS Gas is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNS Gas and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's memorandum dated May 29, 2013, concludes that it is in the public interest to approve the deferral of LFCR revenues into the 2013 Compliance LFCR filing.

...

...

...

ORDER

IT IS THEREFORE ORDERED that UNS Gas, Inc.'s LFCR revenues for 2012 be deferred and incorporated into the 2013 Compliance LFCR filing for recovery beginning July 1, 2014, upon Order of the Commission.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**  
CHAIRMAN  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21<sup>st</sup> day of June, 2013.

  
  
JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:PML:sms\WVC

1 SERVICE LIST FOR: UNS Gas, Inc.  
2 DOCKET NO. G-04204A-11-0158

3 Bradley Carroll  
4 UNS Energy Corporation  
5 88 E. Broadway Blvd. MS HQE910  
6 P.O. Box 711  
7 Tucson, Arizona 85702

8 Nicholas Enoch  
9 Lubin & Enoch, PC  
10 349 N. Fourth Ave.  
11 Phoenix, Arizona 85003

12 Michelle Wood  
13 Residential Utility Consumer Office  
14 1110 West Washington Street, Suite 220  
15 Phoenix, Arizona 85007-2958

16 Michael Patten  
17 Roshka DeWulf & Patten, PLC  
18 One Arizona Center  
19 400 E. Van Buren St. - 800  
20 Phoenix, Arizona 85004

21 Philip Dion  
22 UNS Energy Corporation  
23 88 E. Broadway Blvd.  
24 P.O. Box 711  
25 Tucson, Arizona 85702

26 Mr. Steven M. Olea  
27 Director, Utilities Division  
28 Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Janice M. Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007